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Organised Crime and Common Transit Networks

Simon Mackenzie

The Australian Institute of Criminology has produced a diverse range of studies on illicit markets, including those in drugs, diamonds, stolen vehicle parts, abalone, plastic payment cards and antiques. This paper draws together information on one aspect that these markets have in common—networks of transportation. In view of the common structure of these networks for transporting and distributing illicit goods, and the common nature of the skills required to successfully operate underground trading links, this paper questions whether the same personnel are involved in the movement of all or some of these goods and, if so, what implications this might have for crime prevention and detection initiatives.

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Director

Scale and Shape of Illicit Markets

The magnitude of global illicit trade should not be underestimated. Illegal drugs form the bulk of the market, both in terms of street value and social cost. In 1998, the United Nations-sponsored International Narcotics Control Board estimated the size of the international illicit drug trade to be US\$400 billion annually. The illegal trade in exotic animals has been valued at \$12 billion a year worldwide, leading Interpol to estimate the global trafficking of protected wildlife is larger on a financial scale than arms smuggling. Profit estimates worldwide in respect of people smuggling are between \$3 billion and \$10 billion (Schloenhardt 1999).

The relative levels of threat to society from these illicit markets can be difficult to ascertain. Drugs and arms are obviously a danger to personal and social safety, but how are such threats weighed against environmental damage from the poaching (perhaps to extinction) of natural resources or the plunder of cultural heritage, both of which are limited commodities? These are difficult issues on which to achieve a consensus; for this reason, undue weight is not given to any particular commodity in this paper.

Typically, the interest of the smuggler in his or her trade lies in the ability to levy a "crime tax". This mark-up is a monetary representation of the risk that the smuggler has had to bear in carrying the illicit goods across borders. For example, an Italian *tombarolo* (the local word for a robber of tombs in search of saleable antiques) who is experienced in the art of finding, opening and looting tombs, will receive only a fraction of the profits that the looted objects will ultimately realise. He or she will typically on-sell the item to an international go-between (a *ricettatore*), described as a well-educated establishment figure with international contacts, for a low fixed price. The *ricettatore* will see a substantially greater return on the object than the *tombarolo*. Through his or her contacts, transport is organised across borders to sources of demand in the West. This may involve concealment in packaging and couriers, perhaps requiring the collaboration of those in the business of packing and unpacking shipping containers, and the bribing of customs officials. Once in the market nation, the object will be sold

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to consumers either illicitly, or by means of insertion into legitimate markets. Such a network is closely analogous to the international drugs market.

Local Markets

Not all illicit goods pass across borders, of course. For example, most vehicle parts stolen within Australia remain in Australia, as do most of the standard products of domestic burglaries. Some drugs are distributed in their countries of origin as well as travelling internationally to foreign consumers. Prostitution is both a local concern and one relating to the illicit international movement of people.

The methods of transport detailed above would appear to be common to all illicit markets (although for those commodities which are distributed close to their source, the element of border crossing should be removed).

Transport might be seen as two-phased. In the case of drugs or antiquities, for example, transport occurs from the open fields to the shipping ports in phase one (domestic) and then beyond the port in phase two (international).

Multiple Competences

Given the common structure of these networks of transport and distribution, and the common nature of the skills required to successfully operate underground trading links, it is not unreasonable to ask whether the same personnel are involved in the movement of all or some of these illicit goods. This paper considers such “multi-competent” smuggling networks.

Disrupting transit networks is difficult. For example, only a tiny percentage of all containers entering the United States every year are opened by US Customs agents. These agents rank the seizure of narcotics above other illicit goods such as stolen art or wildlife.

For Australia, with 25,760 kilometres of coastline to patrol,

the situation is also difficult. In the financial year 1999–2000, Australian ports received over 1.5 million containers, loaded and empty, and Australian airports had to deal with over eight million arrivals (National Crime Authority 2001). Of course Australian law enforcement agencies conduct sophisticated intelligence and risk assessment functions that provide information on illegal import and export, making seizure more likely than these figures would imply.

After the terrorist attacks in the United States on 11 September 2001, the boundary between law enforcement and national security matters is becoming increasingly indistinct in all Western countries, resulting in heightened security checks at borders. Evidence of common trafficking methods and organisations would place even more weight behind the argument that collaborative control efforts among police units and customs departments are likely to be worthwhile and effective.

Organised Crime Groups and Smuggling

According to Australia’s National Crime Authority (which has conducted investigations into “organised crime”):

Organised crime does not limit itself to trafficking illicit drugs. International trends of organised crime syndicates diversifying their commodity of choice to a range of commodities have been seen in investigations conducted by the National Crime Authority and other law enforcement agencies in Australia. Organised crime groups investigated by the National Crime Authority are not limiting their activities to one or two but are entrepreneurial and engaged in many activities. (National Crime Authority 2001, p. 36)

The United Kingdom’s National Criminal Intelligence Service uses the following definition of organised crime groups:

...two or more persons jointly engaged in continuing serious criminal activities for substantial

profit or gain, whether based in the UK or elsewhere. (National Criminal Intelligence Service 2001, p. 6)

Its research has revealed that:

...of the organised crime groups identified by UK law enforcement agencies in 2000–2001, more than half were observed to be involved in two or more areas of serious criminality.

(National Criminal Intelligence Service 2001, p. 32)

This excludes money laundering and dealing in more than one type of drug. Two-thirds of these known organised crime groups were involved in drugs trafficking, so most cross-sector criminality was observed to involve drug trafficking and one or more other types of crime, as shown in Figure 1.

Comparable statistics are not available for Australia. However, it is clear both that organised crime groups operate across and within Australia’s borders, and that, like the organised crime groups studied in the National Criminal Intelligence Service report, their illegal activities are diverse.

One of the largest networks of Australian organised crime groups to be identified by the National Crime Authority is that of outlaw motorcycle gangs, who operate across state boundaries and have international links. They have allegedly been involved in assault, murder, drug manufacturing and trafficking, firearms offences and money laundering. They have also been linked with other illicit markets such as the market in illegally obtained Australian abalone, acting as buyers and distributors and establishing illicit networks extending overseas to consumer markets in Asia (Tailby & Gant 2002). This plundering of one of Australia’s valuable natural resources closely mirrors previous destructive practices in other abalone-producing countries such as South Africa, where organised criminal groups grew to dominate the illicit abalone market to the detriment of the protection of the species. It has been suggested that illegal Australian abalone is now

being traded overseas for heroin and marijuana.

Fluidity and Change

Organised crime groups are becoming increasingly entrepreneurial and are trafficking a number of different commodities for profit. As a result, defining such groups is becoming increasingly difficult. Groups involved in commodity trafficking should be viewed as fluid—a necessary implication of their operation across multiple goods-smuggling networks. As alignments are formed and dissolved with other criminals and groups, the nature and membership of organised crime groups will continually evolve. Intelligence agencies have much difficulty keeping up with the changing nature of organised crime groups, and the purpose of this paper is not to embark on such a process of enumeration, but rather to identify instances of links in cross-border goods-related activities. In the categorisation that follows there are brief illustrations of such links.

Four Forms of Illicit Markets

Markets in illicit goods may usefully be split into four groups. The designation of each represents the legal status of the commodity at each of three stages of the market—source, international transport and destination. This involves a process of simplification which conceals difficult issues such as:

- the interplay of international and domestic laws;
- the dubious value of the primacy of Western systems of law and legal analysis; and
- the problems of trying to apply a particular set of laws to a population involved in armed conflict over issues of territoriality and governance which necessarily involve the practical displacement of legal rules regulating conduct.

While perhaps not fit for a sophisticated analysis of specific global developments in some

criminal groups, this framework is useful when thinking about general trends in the multiple competences of transnational organised criminal networks in relation to the illicit international transport of goods, particularly from an Australian perspective. The four forms are:

1. from illicit source to illicit transport to illicit destination market;
2. from illicit source to illicit transport to licit destination market;
3. from licit source to illicit transport to illicit destination market; and
4. from licit source to illicit transport to licit destination market.

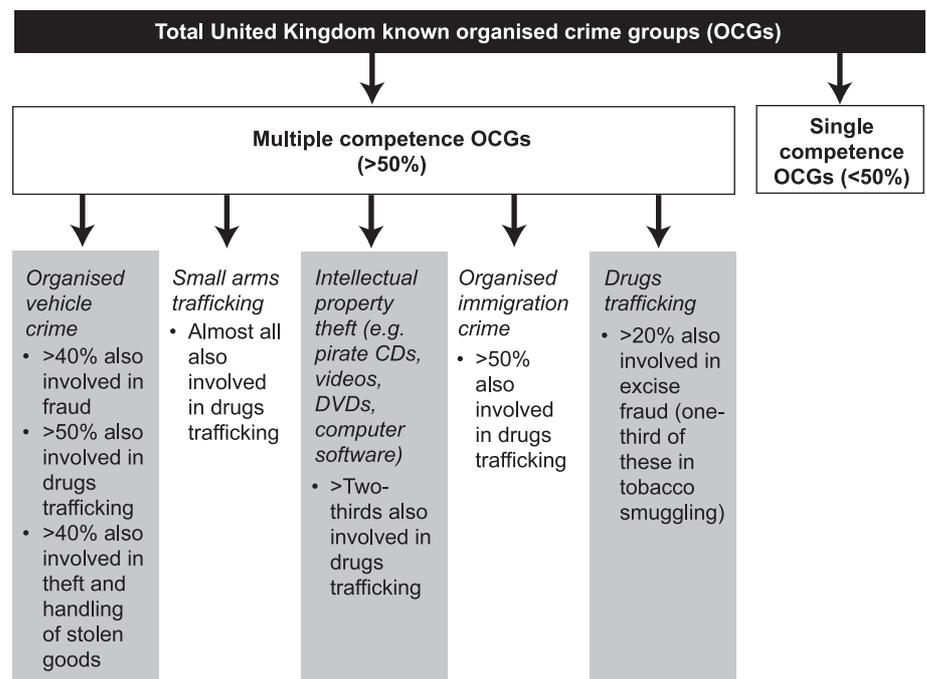
Type 1 Market: Illicit to Illicit to Illicit

In these markets, the goods remain illicit from source to “consumption”. Examples of such commodities are drugs, a certain amount of stolen natural resources, some species of wildlife, and some arms and ammunition. At source, these goods are either produced illicitly or become illicit due to an act of theft or trade which puts them in criminal hands. When transported internationally it is by means of concealment and/or bribery of officials; when sold in market nations, the sales are similarly

conducted “underground”. At no point in their movement from source to end-user do these goods surface in the legitimate market.

The drug smuggling which partly funded the Balkan conflict provides an example of such a criminal market. Albanian mafia groups found that their transit networks could provide opportunities to raise funds for groups of nationalist rebels involved in the fight against Serbian dictator Slobodan Milosevic in the 1990s. To that extent the line between “mafia” and “resistance fighter” became blurred and it seems that many Albanians who otherwise would have had little to do with organised crime became involved in the cross-border trade of illicit materials in order to provide finance for their army. This fundraising was carried out through activities such as drugs and arms trafficking, the smuggling of contraband cigarettes, and the unofficial “taxation” of Albanians living abroad with the illegally obtained money sent back to the Balkans. Ideologically different though such activities may seem from those of Italian mafia groups, the organised smuggling routes were established prior to the start of the Yugoslavian conflict, and the

Figure 1: Multiple trafficking competences



Source: Based on data derived from the National Criminal Intelligence Service (2001)

groups remain in operation after the war, reportedly with strong links to the Italians. Albanian networks have been implicated in matters as geographically and politically diverse as:

- the smuggling of drugs (particularly home-grown marijuana), and of people into Greece;
- sanction-busting oil importation into Serbia and Montenegro in common with Italian mafia networks; and
- the large-scale movement of arms into Kosovo.

Another example of an “illicit to illicit” market comes from China, where the involvement of organised crime groups in the smuggling of antiquities has been documented by China’s State Bureau of Cultural Relics and the Ministry of Public Security. Brochures containing photographs of statues *in situ* are produced for prospective buyers to browse, and then smuggled to order (WuDunn 1992).

Type 2 Market: Illicit to Illicit to Licit

Here, goods which are illicit at source are inserted into legitimate markets before reaching the ultimate consumer. Examples are antiquities, diamonds, stolen vehicle parts and seafood. As in the first category, an initial act of theft renders the products illicit and they will usually leave their country of origin in contravention of legal export rules. Because of the existence of legal markets in these commodities, however (such as do not exist on the same scale for controlled narcotics), and because of the difficulties involved in telling stolen goods apart from legitimately acquired goods, these illicit commodities can sometimes enter the legitimate chain of supply without buyers being aware that they are dealing in stolen property. In some cases (notably with antiquities) insertion into legitimate markets is aided by the ability of smugglers to exploit international transport networks as a means of obtaining documentation. Such documentation vouches for the legitimate export of the goods from respectable international

trading ports such as Hong Kong and Singapore, thereby lending them an air of legitimate provenance.

There may be inter-type links between commodities smuggled. For example, direct links between drugs trafficking (a “type 1” market) and antiquities smuggling (type 2) out of Central America have been reported. It has been suggested that jungle airstrips in Belize and Guatemala are used by cartels to export drugs and antiquities. Such shipments are occasionally intercepted on entry into the market nation. In one case a smuggler’s plane arriving in Colorado from Mexico was searched and found to contain 150 kilograms of marijuana and thousands of dollars worth of pre-Columbian antiquities (Brodie 1999). The link between the illicit movement of drugs and other commodities is not new. In their heyday, Colombia’s Medellin and Cali cartels interwove their cocaine trade with weapons trafficking (evidenced by testimony given by informants to the United States Senate’s Kerry Committee that investigated the Iran-Contra affair in the 1980s).

A recent study of the illicit market in diamonds reports emerging evidence of illicitly obtained diamonds being used to finance terrorist activities, as well as having links to the arms trade, the drugs trade and people smuggling (Tailby 2002). Finance is an issue for any military organisation, be it government-employed or terrorist. Australia’s National Crime Authority (2001, p. 46) recognises that:

...some terrorist groups are known to have carried out illicit drug trafficking to raise funds to carry out their political aims.

Terrorism, of course, has recently become a topic of heightened importance to criminologists. Given that terrorist organisations and other non-terrorist organised crime groups have similar requirements for moving people, money and material across international borders, there is the potential for cooperation between these two types of transnational

groups. Traditionally, the links between them have been thought to be minimal, with international terrorists reluctant to relinquish control over all aspects of their operations in order to minimise the risk of exposure to detection (United States Government 2000). Whether this will remain so as terrorist groups find themselves in the centre of the international crime control spotlight, and as borders become increasingly sensitive to terrorist movement, remains to be seen.

Type 3 Market: Licit to Illicit to Illicit

These markets supply goods which, while licit at source, become illicit due to their international transportation in contravention of import/export laws. They are not then “legitimised” by insertion into licit markets, rather they remain illicit. An example of this type of market is people smuggling where, as is often the case, people are smuggled to work in criminal trades such as the illegal sex industry in the destination country. Although legitimate citizens of their own countries, their insertion into the destination country is unlawful.

In Australia, people smuggling was at one time operated in part by Chinese organised crime groups that transported Chinese nationals to Australia by sea and facilitated their unlawful entry (Tailby 2001). This Chinese people smuggling effectively stopped around two and half years ago.

More recently, the interest of Asian organised crime groups in our lucrative abalone trade has been reported; their entry into this market has been explained by the high level of demand for the shellfish in Asia as well as a recent dearth of local supply due to overfishing in the region (Nicholl 1999).

There are many other examples of commodities which, legal in their source countries, are illegally exported and never resurface in legitimate markets. Some arms and ammunition were included in the type 1 markets,

above, on the basis that they are illicit all the way through the chain of supply. Many firearms, however, are owned legitimately in Australia and other countries, but become illicit due to their movement into criminal hands.

In Europe, Italian mafia groups have been implicated in arms trafficking, in combination with other illicit goods movements. The Sicilian Cosa Nostra, the Neapolitan Camorra and the Calabrian 'ndrangheta, as well as the less established Apulian Sacra Corona Unita have between them been implicated in the movement of contraband cigarettes, arms and drugs, as well as money laundering, prostitution and illegal immigration. One of the most notable examples of Italian multiple smuggling competences comes from a police operation known as "Sol Levante" which, on 12 May 1995, led to the discovery in Lecce of a network of traffickers. This network, led by a member of the Sacra Corona Unita, was designed to transport drugs from Turkey and the Middle East to Italy. It was found that arms, drugs and cigarettes were transported along the same routes and by the same means of transport.

Type 4 Market: Licit to Illicit to Licit

Covered here are goods which are licit at source and—while becoming illicit as in category 3 due to border transgressions—are inserted into licit markets in the destination country. To return to the example of people smuggling, people may work in legitimate professions once they are illicitly inserted into the destination country.

Antiquities, once discovered and excavated, are often the subject of national controls on export, particularly those which are considered to be of great cultural importance to the source country. Australia categorises its heritage according to this idea, with restrictions being placed on the export of the most important categories of cultural property. Some items, while becoming illicit

due to the way they are exported, may be sold to buyers abroad in open market sales, the buyers being unaware of their illegal export.

Chinese organised crime groups operating in the United States (including Triads and other groups) have been implicated in the illegal trade of precious minerals and gems, endangered animal species and animal parts, counterfeit goods (such as watches, floppy disks and CD-ROMs) and illegally caught fish (United States Government 2000). Many of these commodities qualify for this category of type 4 market. The natural resources to some extent speak for themselves, but it should be noted that counterfeit goods can sometimes be produced perfectly legally in their country of origin. Once their international travel is completed they may be passed off as genuine in the market nation. It is likely to be their import in breach of restrictions which makes them illicit.

Dependent and Opportunistic Competences

From these few examples it can be seen that cross-border smuggling networks, while normally developing to covertly supply one particular commodity, are criminal formations which to some extent mirror corporate business systems. However, unlike legitimate corporations (which are generally committed to the production or marketing of specific and relatively unchanging products), transnational criminal networks can rapidly adjust to changing conditions such as a drop in the availability of a certain commodity or heightened difficulty of its transportation due to increased law enforcement focus. This can involve a relatively quick switching of the commodities smuggled. Given the opportunity to diversify in terms of the product transported (that is, the regular supply of any given illicit commodity), it is hard to see reasons why smugglers would not do so.

Multiple competences in smuggling by organised criminal

networks are observed to take two forms:

- One product may be smuggled in order to facilitate the illicit trade of another. A prime example here is drugs and arms. Money laundering, insofar as it involves the cross-border movement of goods, is another example implicated in many of these illicit markets as a necessary component of a successful underground enterprise. These subsidiary competences can be described as "dependant".
- Alternatively, there may be no practical link between the variety of goods smuggled, save their illicit nature. The observed links between cigarette and drug smuggling would be an example. These might be called "opportunistic" as opposed to dependant competences. A practical example of the development of opportunistic competences can be seen in the changing nature of the trade of Galician smugglers. These smugglers in the north-west of Spain began their trafficking careers with foodstuffs, alcohol, clothing and minerals, before adding tobacco and cocaine (and associated money laundering activities) to their repertoire. From the time its smugglers were targeted by Colombian cocaine cartels in the mid-1980s as suitable carriers for their wares, Galicia was to become the principal entry-point of cocaine to the European market. Having found their feet as drug smugglers, the Galicians formed lucrative links both with Turkish heroin groups and Moroccan hashish suppliers (Resa-Nestares 1999).

The relevance of this distinction is in its use as an analytical tool with which to look at the operation of transnational organised criminal networks. A prohibitive crackdown on the opportunistic competences of these networks may result in displacement of their enterprise into other opportunistic brands of smuggling. Restricting their ability to indulge in dependant competences (money laundering is a good example) will, however, have a real effect on their ability to successfully participate in the main criminal market upon which these competences depend.

Implications for Crime Prevention and Detection

The increasing trend towards cooperation between officials should lead to a more intense focus on the routes used to traffic commodities illicitly across borders, and the personnel responsible. Australia has 40,000 state and territory police officers, compared with a mere 1,400 federal police officers. The cooperation of these forces with each other and with the Australian Customs Service and its international counterparts is a productive way to traverse state boundaries and is in keeping with the philosophy of the United Nations' *Convention Against Transnational Organised Crime* (2000).

Increasing focus on the smuggling networks, rather than the individual commodities, leads to more attention being paid to each smuggling route and the groups operating along it, which may affect the ability of smugglers to corrupt officials. For example, one or two customs officers may be easier to bribe than a larger group of multi-focused officials. Understanding group dynamics and networks is inherently more difficult and resource-intensive than seizing commodities, but is likely in the end to reap wider results.

It has been suggested that smuggling networks might be subdivided into:

- networks in which the goods remain illicit up to point of sale; and
- networks in which goods are legitimate by the time they reach point of sale.

The practical relevance of such a division is in the need for the criminal beneficiaries to launder the profits obtained in the former case, whereas in the latter case the legitimisation of the goods can itself be a form of laundering, with the profits obtained from their sale appearing clean.

Interventions which restrict the ability of criminals to launder money will therefore be an effective tool in the suppression of all of the markets under

consideration, but only if they incorporate a recognition of markets such as diamonds and antiquities where illicitly obtained commodities travel through international free ports (and in the case of antiquities, auction houses) acquiring documentation which lends them the impression of legitimacy at next point of sale.

The diversity of goods carried by these criminal networks may be seen as a potential weakness rather than a strength. Organised smuggling networks carry drugs and arms, but also make profits from what have been called opportunistic competences such as dealing in counterfeit goods or pirate copies, some of which (such as airplane and motor vehicle parts, medicines and cigarettes) pose serious health risks to the public. These pirate goods will reach a much wider consuming public than smuggled drugs and arms. The end consumers of these products will sometimes be qualitatively different from the consumers of goods of greater criminal gravity. Such a public may be more open to reporting the suppliers of contraband goods, providing consequent links for the police to the traffickers of the more dangerous and hidden commodities.

More than anything, if criminal smuggling networks have multiple competences, the police investigating them should have multiple competences too. The strongest conclusion drawn here must then be that for the efficient functioning of detection and apprehension structures, investigators need to be fully aware of the nature of illicit transport networks and the particular qualities of the various goods they carry.

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